

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-PHILADEP-95-07) be, and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-36505; International Series Release No. 889; File No. SR-Phlx-95-42]

**Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 to the Proposed Rule Change by the Philadelphia Stock Exchange, Inc., to List and Trade 3D Foreign Currency Options on the Japanese Yen**

November 22, 1995.

**I. Introduction**

On June 14, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> to list and trade Dollar Denominated Delivery ("3D") foreign currency options ("FCOs") on the Japanese yen. The Exchange filed Amendment No. 1 to the proposal on July 7, 1995.<sup>3</sup> The Exchange filed Amendment No. 2 on November 8, 1995.<sup>4</sup>

Notice of the proposal, and Amendment No. 1, was published for comment and appeared in the Federal Register on August 11, 1995.<sup>5</sup> No comment letters were received on the proposed rule change. This order

approves the Exchange's proposal, as amended.

**II. Background**

In March 1994, the Commission approved the listing and trading of 3D FCOs on the German mark.<sup>6</sup> 3D FCOs are cash-settled, European-style options issued by The Options Clearing Corporation ("OCC") that allow holders to receive U.S. dollars representing the difference between the current foreign exchange spot price<sup>7</sup> and the exercise price of the option. Specifically, upon exercise of an in-the-money 3D FCO structured as a call, the holder will receive, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the 3D FCO contract multiplied by the number of units of currency covered by the contract. For a 3D FCO structured as a put, the holder will receive U.S. dollars representing the excess of the exercise price over the closing settlement value of the 3D FCO contract multiplied by the number of units of foreign currency covered by the contract.

Unlike other Phlx-traded FCOs, 3D FCOs which are in-the-money by any amount on the expiration date will be exercised automatically by OCC. 3D FCOs which are out-of-the-money at expiration will expire worthless.

German 3D FCOs were originally listed with one-week and two-week expirations to provide a hedging vehicle to sophisticated retail customers, portfolio managers and multi-national corporations which needed to hedge their short term foreign currency exposure and also to banks which needed to hedge the risks associated with trading in the forward and cash markets. The Commission recently approved the Phlx's proposal to list German 3D FCO contracts with longer term expirations up to twelve months.<sup>8</sup>

**III. Description of the Proposal**

The Exchange is now proposing to list and trade 3D FCOs on the Japanese yen (U.S. dollar/Japanese yen) ("3D JY Options"). The contract size will be 6,250,000 yen, the same as physically

settled Japanese yen contract. Pursuant to Phlx Rule 1012(a)(ii), the contracts will be listed with expirations at one week and two weeks and one, two, three, six and nine months (twelve month options will not be listed at this time but will be permitted under Phlx rules). The options will be on the March, June, September, December cycle and no month end or long term expirations will be listed. The expiration date for the consecutive and cycle month options will be the Monday preceding the third Wednesday of each month. The Exchange expects that the symbols for these options will be as follows:

XJA	first Monday of month expiration
XJB	second Monday of month expiration
XJC	third Monday of month expiration
XJD	fourth Monday of month expiration
XJE	fifth Monday of month expiration
XJS	settlement symbol

The 1, 2, 3, 6 and 9 month options will be listed with the symbol XJB or XJC depending on whether expiration will be the second or third Monday of that month and will carry that symbol to expiration. For example, a "Sept 1995" option which would expire on Monday September 18, would be listed as an XJC Sept 95 call whereas the "Nov 1995" option which would expire on Monday, November 13, would be listed as an XJB Nov 95 call.

Similar to the 3D German mark contracts, the Exchange proposes that a series of 3D JY Options will trade during normal trading hours for foreign currency options, specifically, 2:30 a.m. to 2:30 p.m. E.T. Monday through Friday. The expiring FCO contract will cease trading at 10:30 a.m. and expire at 11:59 p.m. on its expiration Monday, unless such Monday is an Exchange holiday or an Exchange designated bank holiday, when, under Phlx Rule 1000(b)(21), "Expiration date," as amended, the 3D FCO will expire at 11:59 p.m. on the preceding business date (ordinarily a Friday).

Accordingly, on Exchange holidays and Exchange designated bank holidays, the expiring 3D FCOs will cease trading at 10:30 a.m. on the preceding business day. In addition, when Monday is an exchange holiday, new series will be listed on the following Tuesday at 2:30 a.m. E.T. as opposed to the normal Monday morning listing.

The closing settlement value, which will be disseminated through the Options Price Reporting Authority ("OPRA"), will be determined by a designated agent(s) of the Exchange under Phlx Rule 1057, "3D (Dollar Denomination Delivery) Foreign Currency Option Closing Settlement

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Phlx submitted Amendment No. 1 to the Commission to make certain technical corrections to the proposal. See Letter from Michele Wiesbaum, Associate General Counsel, Phlx, to John Ayanian, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated July 7, 1995.

<sup>4</sup> The Phlx submitted Amendment No. 2 to the Commission to explain its proposed provisions for calculating and disseminating the settlement value for the 3D Japanese yen options. See Letter from Michele Wiesbaum, Associate General Counsel, Phlx, to John Ayanian, Attorney, OMS, Market Regulation, Commission, dated November 8, 1995 ("Amendment No. 2").

<sup>5</sup> See Securities Exchange Act Release No. 36062 (August 4, 1995), 60 FR 41140.

<sup>6</sup> See Securities Exchange Act Release No. 33732 (March 8, 1995), 59 FR 12023 (March 15, 1994).

<sup>7</sup> The "spot price" with respect to an option contract on a foreign currency option contract means the price for the sale of one foreign currency for another, quoted by various commercial banks in the interbank foreign exchange market for the sale of a single unit of such foreign currency for the sale of immediate delivery (which generally means delivery within two business days following the date on which the terms of such sale are agreed upon). See Phlx Rule 1000(b)(16).

<sup>8</sup> See Securities Exchange Act Release No. 35756 (May 24, 1995), 60 FR 28638 (June 1, 1995).

Value." Pursuant to Phlx Rule 1057, at 10:30 a.m. (E.T.), on every expiration date for 3D FCOs, the market information vendor(s), acting as the Exchange's designated agent will determine the final settlement value. The Exchange has retained Reuters to calculate the settlement value which the Exchange disseminates.<sup>9</sup>

The market information vendor(s) will collect a bid and offer quotation, from 10 a.m. (E.T.) until 10:30 a.m. (E.T.), for the current Japanese yen spot price from the quotations submitted by 15 interbank foreign participants, which the designated agent will select randomly from a list created by the Phlx of at least 25 active interbank foreign exchange market participants.<sup>10</sup> After discarding the five highest offers and five lowest bids, the designated agent will arithmetically average the remaining ten bids and ten offers to arrive at a closing settlement value. This value will be calculated and sent to the Phlx every 30 seconds until 10:30 a.m. when the designated agent will determine the final settlement value. At that time, the settlement value will be automatically entered into the Phlx's systems, and then the Phlx disseminates it to OPRA and the OCC for entry into the OCC clearing systems.

The Exchange represents that there are two Reuters terminals within the Exchange Regulatory Services area which calculate the settlement value and both are connected to a digital feed. If one terminal has a complication with any 30 second calculation, the other terminal takes over. If there is a communication problem between Reuters and the Exchange, the Exchange can telephone Reuter's New York office to have the value provided verbally, as it is also calculated on a terminal in New York. In the event of a broad based shut down of Reuters, the Exchange would directly contact a group of banks and ask for their current spot quote, and calculate the settlement value using the same methodology as described above. Additionally, if the Reuters program

does not generate enough quotes during an inactive period, the Exchange can add quotes from the Reuters international page which shows bank quotes other than the predetermined set of 40 in the normal program.<sup>11</sup>

The position limits and exercise limits for the 3D JY Options will be the same as the position and exercise limit for the physically settled Japanese yen contracts pursuant to Phlx Rule 1001<sup>12</sup> and Rule 1002 and positions in the 3D JY Options will be aggregated with positions in the physically settled Japanese yen contracts. The Phlx proposes to initially list exercise strike prices for each expiration around the current spot price and new strikes may be added during the life of the option in accordance with Phlx Rule 1012 at half-cent intervals for the one and two weeks and 3 near term months and at one cent intervals for the six and nine month options.<sup>13</sup>

The 3D JY Options will trade in accordance with the rules governing all Phlx FCOs, including sales practice rules and floor trading rules. For example, Phlx Rule 1014, "Obligations and Restrictions Applicable to Specialists and Registered Options Traders" provides that bid/ask differentials for 3D FCOs shall be determined by reference to the underlying foreign currency. Further, 3D JY Options will not be subject to customized trading pursuant to Phlx Rule 1069.

The 3D JY Options will have the same customer margin requirements as are provided for the existing Japanese yen FCOs pursuant to Phlx Rule 722, "Margin Accounts." Specifically, for any put or call on 3D options which are issued, guaranteed or carried "short" in a customer's account, the required margin shall be 100% of the options premium plus 4% of the value of the

underlying contract less any out-of-the-money account, with an adjustment for out-of-the-money options to be not less than 100% of the options premium plus ¾% of the underlying contract margin within five days following the date on which a customer enters into a 3D FCO position and within two days if the option has two weeks or less to expiration.

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, as well as to protect investors and the public interest by providing foreign currency option users who do not necessarily need to exchange currency at settlement with an alternative cash settled foreign currency option with corresponding expirations.

#### IV. Commission Finding and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>14</sup> Specifically, the Commission believes that the Exchange's proposal is designed to provide investors with an adequate means to hedge foreign currency portfolios and cash flows from short-term market risk, thereby facilitating transactions in FCOs and providing investors with greater flexibility to tailor foreign currency options positions to satisfy their investment objectives.<sup>15</sup>

The Commission believes that the Phlx's proposal will help to promote the maintenance of a fair and orderly market by extending the benefits of a listed currency market to an instrument designed to meet the investment needs of Japanese currency market participants. The attributes of the Exchange's markets versus the OTC market for short-term FCOs include, but are not limited to, a regulated market

<sup>9</sup> See Amendment No. 2, *supra* note 4.

<sup>10</sup> The Phlx will select the list of interbank market participants by evaluating the number of times each contributor supplies Japanese yen spot quotes to the market information vendor(s) on Monday mornings between 10 a.m. and 10:30 a.m. The pool of quote contributors will be reviewed monthly based on these criteria and substitutions will be made, if necessary. If at any time an interbank market participant ceases to distribute Japanese yen spot quotes or is no longer in the business of making Japanese yen markets, that entity will be replaced. Currently, there are 40 interbank market participants on the list which show bid and offer quotations. Telephone conversation between Michele Weisbaum, Associate General Counsel, Phlx, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on November 15, 1995.

<sup>11</sup> See Amendment No. 2, *supra* note 4.

<sup>12</sup> Position and exercise limits on the Japanese yen are 100,000 contracts on either side of the market, however, the Phlx has recently proposed to raise this limit to 200,000 contracts. This proposal is currently under review at the Commission. See Securities Exchange Act Release No. 35688 (May 8, 1995), 60 FR 26062 (May 16, 1995).

<sup>13</sup> The Phlx represents that it has adequate systems capacity to process quotations and trades in the proposed 3D JY Options. See Letter from William H. Morgan, Vice President, Trading Systems, Phlx, to Michael Walinskis, Branch Chief, OMS, Market Regulation, Commission, dated November 17, 1995.

The Commission notes that trading of 3D JY Options is contingent upon the Commission's receipt of the Options Price Reporting Authority's representation that it has adequate systems capacity to process quotations and trades in the proposed 3D JY Options. Telephone conversation between Michele Weisbaum, Associate General Counsel, Phlx, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on November 22, 1995.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> Pursuant to Section 6(b)(5) of the Act the Commission must predicate approval of exchange trading for new products upon a finding that the introduction of the product is in the public interest. Such a finding would be difficult with respect to a product that served no investment hedging or other economic function, because any benefits that might be derived by market participants would likely be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns.

center, an auction market, with posted market quotations and transaction reporting, standardized contract specifications, parameters and procedures and procedures for clearance and settlement, and the guarantee of the OCC.

The trading of 3D JY Options, generally, however, raises several issues, including issues related to pricing and settlement value, customer protection, surveillance, and market impact. For the reasons discussed below, the Commission believes that the Phlx has adequately addressed these issues.

#### *A. Pricing and Settlement Value*

The Commission believes that the methodology described above in Phlx Rule 1057 and Amendment No. 2 for calculating the settlement value of 3D JY Options is designed to provide an accurate reflection of the foreign currency spot price. The Commission also believes that the Phlx's procedures and the competitive nature of the spot market for foreign currencies should help to ensure that the settlement values for 3D FCO contracts will accurately reflect the spot price for foreign currencies. Moreover, the Commission believes that the Phlx's procedures should guard against unreliable or manipulated quotes. Finally, as noted above, the Phlx has established adequate back-up mechanisms to ensure the settlement value calculation will be available on a timely basis.

#### *B. Customer Protection*

The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as 3D JY Options, can commence on a national securities exchange. Under paragraph (b) of Phlx Rule 1024, members will be prohibited from accepting a customer order to purchase or write a 3D FCO unless such customer's account has been specially approved in writing by a designated Foreign Currency Options principal of the member for transactions in 3D FCOs. Exchange Rule 1026 is designed to ensure that options, including 3D FCOs, will be sold only to customers capable of evaluating and bearing the risks associated with trading in the instruments. Finally, under Exchange Rule 1027, members will be permitted to exercise discretionary power with respect to trading 3D FCOs in a customer's account only if the member has received prior written authorization from the customer and the account has been accepted in writing by a designated Foreign Currency Options

Principal. In addition, under Exchange Rule 1027, the Foreign Currency Options Principal or a Registered Options Principal must approve and initial each discretionary 3D FCO on the day the order is entered.

The Commission notes that the trading of standardized exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) The special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the 3D JY Options will be subject to the same regulatory regime as the other 3D FCOs currently traded on the Phlx, the Commission believes that adequate safeguards are in place to ensure the protection of investors in 3D JY Options.

#### *C. Surveillance*

The Commission notes that the Phlx will integrate 3D JY Options into existing Phlx market surveillance programs. The Commission believes that existing FCO surveillance procedures should enable the Exchange to conduct, deter, as well as detect, trading abuses involving the 3D JY Options market and the markets for the underlying Japanese yen. In light of the design of the 3D JY Options contracts and the developed market for foreign currencies, the Commission believes that the markets for the 3D JY Options will not be readily susceptible to manipulation.

#### *D. Position and Exercise Limits and Margin Requirements*

As noted above, 3D JY Options will be aggregated with other existing contracts on the same underlying currency for position and exercise limit purposes. The Commission believes that aggregation of 3D FCOs with existing contracts on the same underlying currency for position and exercise limit purposes will reduce concerns regarding manipulations or disruptions of the markets for 3D FCOs, other currency options, and the underlying currencies, while at the same time not hampering the depth and liquidity of the market for 3D FCOs.

The Commission believes the proposed margin levels for 3D FCO contracts, which are consistent with the margin levels for the Phlx's other FCOs, will result in adequate coverage of contract obligations and are designed to preclude the systemic risks arising from excessively low margin levels. As noted above, the margin requirement on any put and call 3D FCO issued, guaranteed or carried "short" in a customer's

account shall be 100% of the option premium plus 4% of the value of the underlying contract less any out-of-the-money amount, with an adjustment for out-of-the-money options to be not less than 100% of the option premium plus  $\frac{3}{4}$ % of the underlying contract value. The Phlx plans to collect margin within five days following the date on which a customer enters into a 3D FCO position and within two days if the option has two weeks or less to expiration. The Phlx has indicated that the proposed margin would cover the historical volatility over the preceding three years of the Japanese yen over a five-day period with a 97.50% level of confidence.<sup>16</sup> Accordingly, the Commission believes that the Phlx's proposed margin level will result in adequate coverage for 3D JY Options. Because the volatility of foreign currencies can change significantly, the Commission expects the Phlx to monitor the adequacy of margin levels for 3D JY Options to ensure that the required margin remains appropriate in view of the volatility of the underlying instrument.<sup>17</sup>

#### *E. Market Impact*

The Commission believes that the listing and trading of 3D JY Options will not adversely affect the spot or derivative foreign currency markets. First, the Commission notes that the interbank foreign currency spot market is an extremely large, diverse market comprised of banks and other financial institutions worldwide. That market is supplemented by equally deep and liquid markets for standardized options and futures on foreign currencies and options on those futures. There is also an active OTC market for FCOs.

Further, as noted above, the Phlx applies its existing FCO surveillance procedures to the 3D FCOs, which should enable the Exchange to conduct, deter, as well as detect, trading abuses involving the 3D JY Options market and the markets for the underlying Japanese yen.

#### *F. Conclusion and Accelerated Approval of Amendment No. 2*

Based on the above, the Commission believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations

<sup>16</sup>Telephone conversation between Michele Weisbaum, Associate General Counsel, Phlx, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on November 22, 1995.

<sup>17</sup>In this regard, the Commission would view coverage of less than 97.50% as problematic. If coverage should fall below this level, the Exchange will immediately notify the Commission's Division of Market Regulation.

thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>18</sup> Additionally, the Commission notes that implementation of this proposed rule change is contingent upon the Commission's receipt of OPRA's representation that it has adequate systems capacity to process quotations and trades in the proposed 3D JY Options.<sup>19</sup>

The Commission finds good cause for approving Amendment No. 2 to the proposed rule change prior to the thirtieth day after the date of publication of the notice thereof in the Federal Register. In Amendment No. 2, the Phlx represented that the provisions for calculating and disseminating the settlement value for the 3D Japanese yen options will be exactly the same as used for the 3D German mark options. The Commission believes that because the provisions for calculating and disseminating the settlement value for the 3D Japanese yen options will be exactly the same as used for the 3D German mark options, and contain adequate back-up procedures in case of system failure or other problems, no new regulatory issues are raised. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 2 to the Phlx proposal on an accelerated basis.

#### V. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Phlx Amendment No. 2. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to SR-Phlx-95-42 and

should be submitted by December 20, 1995.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (File No. SR-phlx-95-42), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>21</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-36501; File No. SR-PHLX-95-50]

#### Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to PHLX Rule 722, "Margins"

November 21, 1995.

On July 3, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposal to amend PHLX Rule 722(c)(6), "Time Within Which Margin or 'Mark-to-Market' Must Be Obtained," to reduce from seven business days after the trade date to five business days after the trade date the time in which a customer must either pay for a long foreign currency option ("FCO") position or post initial margin for a short FCO position.

Notice of the proposed rule change appeared in the Federal Register on August 24, 1995.<sup>3</sup> No comments were received on the proposal.

Currently, PHLX Rule 722(c)(6) provides that margin for a short FCO position in a customer account or full cash payment for a long FCO position in a customer account must be obtained within seven business days following the date on which the customer enters into the FCO position. Recently, the Board of Governors of the Federal Reserve System ("Board") amended Regulation T under the Act to reduce from seven business days after the trade date to five business days after the trade date the amount of time in which a customer must meet initial margin calls or make full cash payment for securities.<sup>4</sup> To be consistent with

Regulation T, as amended, the PHLX proposes to amend Exchange Rule 722(c)(6) to reduce from seven business days to five business days the time in which a customer must either pay for a long FCO position or post initial margin for a short FCO position.

According to the PHLX, T + 3 has impacted securities trading in many ways, primarily in the systems and procedures utilized by broker-dealers, exchanges, and clearing agencies. In addition, the Exchange states that PHLX Rule 722 has been impacted by T + 3. Specifically, PHLX Rule 722(c)(6) currently provides that FCO margin and cash payment must be obtained as promptly as possible but before the expiration of seven full business days following the trade date. This time period was originally established by allowing two days after the standard securities settlement time (prior to the effective date of Commission Rule 15c6-1) of five business days ("T + 5"). Within T + 5 reduced to T + 3, the Exchange proposes to conform its FCO margin rules to the reduced five business day time period by which margin or cash payment must be obtained on securities, including FCO options, pursuant to Regulation T.<sup>5</sup>

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5)<sup>6</sup> in that it is designed to protect investors and the public interest and to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. Specifically, the proposal will make PHLX Rule 722(c)(6) consistent with Regulation T, as amended, which is in effect for FCOs as well as for other securities options, and provides that a margin call must be satisfied within one payment period (*i.e.*, five business days) after the margin

period after the margin deficiency was created or increased. Under Regulation T, a "payment period" is the number of business days in the standard securities settlement cycle in the United States, as defined in SEC Rule 15c6-1 under the Act, plus two business days. As of June 7, 1995, SEC Rule 15c6-1 establishes a standard three business day settlement cycle for most securities transactions in the United States ("T + 3"). Accordingly, after June 7, 1995, the payment period for satisfying a margin call under Regulation T is five business days.

<sup>5</sup> See note 4, *supra*. The Commission notes that PHLX Rule 722(c)(6) establishes a maximum time period for the payment of margin. According to the PHLX, most Exchange members require payment for long FCO positions or margin for short FCO positions by the date following the trade.

<sup>6</sup> 15 U.S.C. § 78f(b)(5) (1982).

<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988 & Supp. V 1993).

<sup>2</sup> 17 CFR § 240.19b-4 (1994).

<sup>3</sup> See Securities Exchange Act Release No. 36114 (August 17, 1995), 60 FR 44098.

<sup>4</sup> Regulation T, as amended, provides that a margin call must be satisfied within one payment

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> See *supra* note 13.